



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

**Bulletin PC-56  
December 21, 2004**

**TO: ALL PROPERTY & CASUALTY INSURERS WRITING  
COMMERCIAL LINES INSURANCE PRODUCTS**

**RE: UNCERTAINTY RELATED TO EXPIRATION OF  
THE TERRORISM RISK INSURANCE ACT OF 2002  
EXCLUSIONS RELATED TO ACTS OF TERRORISM**

### **Background**

The Terrorism Risk Insurance Act of 2002 (TRIA) was adopted by Congress to provide a temporary federal shared loss program for incurred losses resulting from certain acts of terrorism to protect American businesses by minimizing market disruptions and ensuring the widespread availability and affordability of property and casualty insurance for terrorism risk. Recently there has been uncertainty in the markets for commercial lines property and casualty insurance coverage because of the pending expiration of TRIA on December 31, 2005.

Policies with effective dates of January 1, 2005 or later may have no federal backstop for any losses in 2006 if TRIA is not extended by Congress. This places insurers, businesses and regulators in the same situation we encountered in the aftermath of September 11<sup>th</sup> and which in large part prompted TRIA's enactment. Once again, insurance regulators find themselves having to consider approval of certain coverage limitations for acts of terrorism, or risk possible serious solvency concerns in the insurance industry.

The intent of this bulletin is to inform you of the decision in this state to approve certain conditional coverage limitations for acts of terrorism, to put insurers on notice that determination of certain contractual thresholds is subject to disclosure and review by this office, and to provide a voluntary procedure for insurers to use to expedite the filing and timely review of these limited exclusions. As commissioner, I was involved in discussions at the National Association of Insurance Commissioners (NAIC) related to this issue. The members of the NAIC agreed that the conditional endorsement approach, while not providing a perfect solution, offers the best hope for adding some certainty to address TRIA's hard ending should Congress fail to enact an extension of TRIA. By this bulletin, I am informing you of my intent to act in a manner consistent with the recommendation from the NAIC membership and inform you of some specific state exceptions. I believe this to be the best course of action as it balances the need of insurers to have some certainty related to solvency concerns with the business consumer's concerns that their businesses not be subject to uninsured events.

Instead of approving the very broad total exclusions of coverage for acts of terrorism, this state will allow insurers and advisory organizations to submit and receive acceptance for conditional coverage limitations that are substantially similar to those described in the following pages. These conditional endorsements would only apply if Congress fails to enact an extension to TRIA or enacts changes to TRIA that substantially change the risk of loss that an insurer or policyholder has assumed. Insurers

should be aware that, although policy form language provisions will provide that the insurer is to make a determination regarding when any of the thresholds described in this bulletin have been reached for purposes of settling a claim, insurers should be ready to substantiate any decision made to deny benefits to a claimant.

### **Explanation and Instructions for Expedited Review**

The coverage limitations that will be approved by this state have some significant limitations; however, they continue to provide coverage for acts of terrorism under certain circumstances.

For policies providing property insurance coverage the following limitations apply:

- Exclusion for acts of terrorism only apply if the acts of terrorism result in industry-wide insured losses that exceed \$25,000,000 for related incidents that occur within a 72 hour period;
- Exclusions for acts of terrorism are not subject to limitations above if:
  - The act involves the use, release or escape of nuclear materials, or that directly or indirectly results in nuclear reaction or radiation or radioactive contamination;
  - The act is carried out by means of the dispersal or application of pathogenic or poisonous biological or chemical materials; or
  - Pathogenic or poisonous biological or chemical materials are released, and it appears that one purpose of the terrorism was to release such materials.

For policies providing liability insurance coverage the following limitations apply:

- Exclusion for acts of terrorism only apply if the acts of terrorism result in industry-wide insured losses that exceed \$25,000,000 for related incidents that occur within a 72 hour period; or
- Fifty or more persons sustain death or serious physical injury. For purposes of this provision serious physical injury means:
  - Physical injury that involves a substantial risk of death;
  - Protracted and obvious physical disfigurement; or
  - Protracted loss of or impairment of the function of a bodily member or organ.
- Exclusions for acts of terrorism are not subject to limitations above if:
  - The act involves the use, release or escape of nuclear materials, or that directly or indirectly results in nuclear reaction or radiation or radioactive contamination;
  - The act is carried out by means of the dispersal or application of pathogenic or poisonous biological or chemical materials; or
  - Pathogenic or poisonous biological or chemical materials are released, and it appears that one purpose of the terrorism was to release such materials.

This state will accept the following definition of acts of terrorism or definitions that are more liberal to policyholders:

Terrorism means activities against persons, organizations or property of any nature:

1. That involve the following or preparation for the following:
  - a. Use or threat of force or violence; or
  - b. Commission or threat of a dangerous act; or

- c. Commission or threat of an act that interferes with or disrupts an electronic, communication, information, or mechanical system; and
2. When one or both of the following applies:
- a. The effect is to intimidate or coerce a government or the civilian population or any segment thereof, or to disrupt any segment of the economy; or
  - b. It appears that the intent is to intimidate or coerce a government, or to further political, ideological, religious, social or economic objectives or to express (or to express opposition to) a philosophy or ideology.

Terrorism exclusions are not permitted for:

- Workers' Compensation Insurance or Excess Workers' Compensation Insurance
- Commercial Automobile Financial Responsibility Limits
- Personal Risk Insurance
- Direct loss caused by fire or other covered perils following an act of terrorism.

Because Connecticut Public Act 04-140, which permits the exclusion of damage caused by fire or other covered perils following an act of terrorism, is linked to the existence of TRIA, conditional terrorism exclusions shall not apply to direct loss caused by fire or other covered perils following an act of terrorism. Companies are required to reinstate coverage for these losses if they have been excluded. In the event TRIA is not re-authorized or otherwise extended, the permitted limited exclusion will not apply for any events that occur subsequent to TRIA's expiration. Revised filings will be required at that time. Companies should refer to Bulletin PC-55 on the Insurance Department website <http://www.ct.gov/cid/lib/cid/bullpc55.pdf>

Should TRIA expire December 31, 2005, the Department will permit the use of terrorism exclusions for the following types of insurance:

- Professional liability
- Directors & Officers liability
- Errors & Omissions
- Medical Malpractice
- Crop insurance
- Mortgage Guaranty insurance
- Title insurance
- Financial Guaranty insurance

For an insurer or advisory organization to receive expedited approval of its exclusions for commercial lines insurance coverages, the exclusionary endorsements must comply with the terms and conditions set forth in this bulletin and be submitted in accordance with the instructions specified below. Further, the company must certify that it is filing endorsements that provide coverage at least as broad as described in this bulletin.

### **Forms with Instructions**

Attached to this bulletin is a uniform filing transmittal form that has been agreed upon by this state and other states. A filer wishing to receive expedited treatment of its filing for review shall complete the EXPEDITED FILING—TERRORISM EXCLUSIONS APPLICATION Form Filing Transmittal as

directed. In addition, the filer submitting this filing must certify that it is filing endorsements that provide coverage at least as broad as described in this bulletin. Certification is made by signing the appropriate blank on the transmittal form.

To be complete, a form filing must include the following:

1. A completed, certified Form Filing Transmittal Header for each insurer.
2. One copy of each endorsement.
3. The appropriate filing fees.
4. A postage-paid, self-addressed envelope large enough to accommodate the return. Note that a comparable filing transmittal form is available in SERFF.

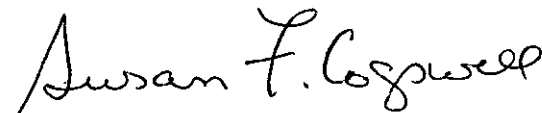
If this filing is for multiple companies, please provide a copy of the transmittal header for each company and an extra copy for return to the company. (i.e. 7 companies = 8 copies)

### **Effective Date**

This bulletin shall take immediate effect unless Congress acts to extend or modify TRIA.

Any filings made prior to the date of this bulletin which are not in compliance with this bulletin must be amended or re-filed by the company.

If you have any questions on Bulletin PC-56, please call the Property and Casualty Division at 860-297-3867.

A handwritten signature in black ink, reading "Susan F. Cogswell". The signature is fluid and cursive, with the first name "Susan" and last name "Cogswell" clearly legible.

Susan F. Cogswell  
Insurance Commissioner

**EXPEDITED FILING— COMMERCIAL LINES TERRORISM EXCLUSIONS APPLICATION**

Ed. 6/1/04

This page applies to the following state(s) \_\_\_\_\_

Department Use only

Company Name(s)	Domicile	NAIC #	FEIN #

**Contact Info for Filer**

Name and address of Filer(s)	Telephone #	FAX #	e-mail

**Filing information**

<b>Line of Insurance</b> (see attachment)	
<b>Company Program Title</b> (Marketing title) (if applicable)	
<b>Filing Type</b>	
<b>This application is used with:</b>	
<b>Effective Date Requested</b>	
<b>Filing date</b>	
<b>Company Tracking Number</b>	
<b>Date filing approved in domiciliary state</b>	

	<u>Component/Form Name</u> <u>/Description/Synopsis</u>	<b>Form #</b> Include edition date	<b>Replacement</b> <b>Or withdrawn?</b>	<b>If replacement,</b> <b>give form #</b> <b>it replaces</b>	<b>Previous State</b> <b>Filing Number,</b> <b>if required</b> <b>by state</b>
01			<input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn <input type="checkbox"/> Neither		
02			<input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn <input type="checkbox"/> Neither		

To be complete, a form filing must include the following:

- A completed Form Filing Transmittal Document for each insurer.
- One copy of each endorsement.
- The appropriate filing fees, if required.
- A postage-paid, self-addressed envelope **large enough to accommodate the return.**

The insurer(s) submitting this filing certifies that it is:

- ☐ Using an endorsement that provides coverage that is at least as broad as described in the bulletin.

\_\_\_\_\_  
Signature\_\_\_\_\_  
Print Name:\_\_\_\_\_  
Title:

## COMPLETED SAMPLE FORM

## EXPEDITED FILING—COMMERCIAL LINES TERRORISM EXCLUSIONS APPLICATION

Ed. 6/1/04

This page applies to the following state(s) \_\_\_\_\_

Department Use only

Company Name(s)	Domicile	NAIC #	FEIN #
ABC Insurance Company	NY	0000-99999	99-1234567

## Contact Information for Filer

Name and address of Filer(s)	Telephone #	FAX #	e-mail
John Doe (Form Filing) Regulatory Compliance ABC Insurance Co. 12345 Fifth Ave New York, NY 10234	501-555-5555	501-555-5551	John.doe@abcins.com

## Filing information

Line of Insurance (see attachment)	Commercial General Liability
Company Program Title (Marketing title) (if applicable)	General Liability Program
Filing Type	Form (Endorsement)
This application is used with:	(Insert policy form number to which the application attaches)
Effective Date Requested	08-01-04 (Enter your desired effective date)
Filing date	(Date Company sends filing)
Company Tracking Number	ABC-EP-2004-01 (Enter your filing tracking number, if applicable)
Date filing approved in domiciliary state	Not approved yet. Filed on same date as this filing.

	Component/Form Name /Description/Synopsis	Form # Include edition date	Replacement Or withdrawn?	If replacement, give form # it replaces	Previous State Filing Number, if required by state
01	Conditional Terrorism Coverage Limitation Endorsement	CG 21 69 01 02	<input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn <input checked="" type="checkbox"/> Neither		
02			<input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn <input type="checkbox"/> Neither		

To be complete, a form filing must include the following:

- A completed Form Filing Transmittal Header for each insurer.
- One copy of each endorsement.
- The appropriate filing fees, if required
- A postage-paid, self-addressed envelope large enough to accommodate the return.

The insurer(s) submitting this filing certifies that it is:

- ☐ Using endorsements that provide coverage that is at least as broad as described in the bulletin.

Signature \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_